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It is impossible to foresee how much longer the dispute in the printing trade will continue. We are most actively exploring every possibility of improving the quality and increasing the size of these emergency editions. Meanwhile, it is perhaps advisable to explain why we continue to charge a shilling for what is only a shadow of what The Economist *should be. For one thing, these emergency editions actually cost more to produce than a normal edition. For another, the immense amount of labour that would be involved in altering the price and then altering it back again would put a burden on our accounting and publishing departments that they could not carry at a time when very long hours are being worked coping with the physical problems of simply getting the paper out. We ask for the patient indulgence of our readers.*

Houses in the Air

In recent years the annual conference of the Conservative party has not been regarded as an event of much importance either by political observers or by Conservative politicians themselves. The amorphous nature of the party organisation, the fact that policy is handed down from the leader of the party and is not - even in theory - handed up from the party delegates, and the enormous size of the gathering, four times as large this year as the Labour party conference, have combined to make it into an assembly more noted for enthusiasm than for clear thinking. It has been a rally rather than a conference, the signal for a demonstration of enthusiasm rather than a serious discussion of the aims and content of Conservative policy. For the party managers the advantage of this system is clear enough, it provides an opportunity to kindle immense enthusiasm, and to send the delegates back to their constituencies with fire in their hearts and a pleasant cloud in their heads. This makes it an assembly which is more easily swayed by demagogic oratory than by a cool discussion of the implications of political policy. The more thorny questions are edged out by those on which it is possible to produce the greatest enthusiasm.

The advantages and disadvantages of this system were clearly illustrated at last week's conference at Blackpool. The hardy annuals of Imperial Preference and free enterprise performed their function of stimulating unity and enthusiasm. On the other hand neither the Schuman Plan nor Western European Union - two issues on which the Conservatives in parliament have most strenuously joined issue with the Government - were even mentioned. It was only the skilful advocacy of a young delegate, Mr J. Gower, that prevented the conference from being seized with such mass hysteria about Communism as to saddle the party with a promise to conduct a legal witch hunt against the Communists. World opinion, which pays more attention to party conferences than to political pamphlets and programmes, has been only narrowly prevented from conceiving a very false opinion of what a Conservative government in office might seek to achieve.

Much the most interesting development at Blackpool was the release of a sudden wave of pent-up protest which swept aside a carefully non-committal resolution on housing policy, and forced the party executive to commit itself to build 300,000 houses a year - half as much again as the present Government's rate of building. The resolution was moved as the result of a purely demagogic agitation among the delegates of a kind to which an unorganised gathering such as a Conservative conference is particularly susceptible. It was quite plain that it was received with the greatest reluctance by the more thoughtful leaders of the Conservative party. On a cool calculation it is difficult to see how it is possible to build an extra 100,000 houses a year and still retain the rest of the investment programme without seriously adding fuel to the flames of inflation. The

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grave men of the Conservative party have already shown how embarrassing this new demand is to them.

But considered in terms of electoral advantage, this demand may prove most useful. The trend of Conservative thought during its five years in opposition has been towards a specific policy which it could oppose to the specifics of Socialism. It has been borne in upon Conservatives that the days have gone when it was possible for Tories to pose as the party of sound government and sound men, and to expect to regain power whenever the electorate was tired of a more definite or a more expensive programme. Many Conservatives have come to the conclusion that a better educated nation expects to choose between two equally coherent and specific political programmes.

Here is an opportunity for the Conservatives. The temper of their conference showed how deeply the shortage of houses has bitten into the consciousness of the ordinary person. The rank and file of the Conservatives want 300,000 houses built a year. What better opportunity could there be for the Conservatives to take the wind out of their opponents' sails? It is true that to build so many extra houses would involve considerable cuts in the rest of the investment programme. It could only be done without creating further inflation by curtailing other forms of building, whether offices, schools, power houses or factories. But if the nation feels that domestic dwellings are more important - and there is no authority which can say that they are less important - than the provision of electricity, education or employment, then the Conservatives have, if they are prepared to explain the disadvantages as well as the advantages of the programme, a positive policy to put before the nation. Mr Aneurin Bevan made great play at the Labour party conference last year with the phrase, 'the language of priorities is the religion of Socialism'. But, in fact, the religion of Labour in office is of priority for every kind of capital and social expenditure. If the Conservatives are really prepared to use the weapon of priorities, they will have forged a formidable weapon with which to fight their opponents upon their own ground.

During the last five years, the voices of the moderates within the party have come to exercise more and more influence. There have been many Conservatives who have regarded the attempts of Mr R.A. Butler to concentrate the party's fire not upon the principle but on the inefficient practices of the welfare state, as rank heresy. But in the absence of a coherent alternative, Mr Butler's ideas have prevailed and the result of the February election greatly strengthened his hand, first, by showing that a policy of moderate Toryism can win votes, and second, by bringing into the House of Commons a number of new members of his own way of thinking. The pamphlet on social policy 'One Nation' recently published by a group of new members clearly shows that intelligent Conservative thought is now concentrated upon the means by which the priorities within the welfare state can be better arranged in order to produce more efficient results and make the cost less onerous.

Unless the present government has an unexpected run of luck in the forthcoming by-elections, or unless it can summon up new reserves of energy and pertinacity, it is probable that there will be another general election in the spring. The Conservatives have therefore only a few months in which to prepare a new election programme. It will be a tragedy if it is merely a reproduction of the programme for the last election, that is a collection of promises of future benefits with little indication of the corresponding rearrangements and sacrifices which must be made. From the temper of the three recent political conferences, it is clear that the main preoccupation of the ordinary citizen is with the danger of war and with the steady growth of the cost of living. If the Conservatives are wise, they will not underrate the intelligence or courage of the ordinary citizen nor his capacity to learn that in a dangerous and insecure age it is not possible to pursue every desirable form of social activity at once.

Third Front in Asia

Frenchmen and their allies can no longer pretend - as they have been frequently tempted to - that the war in Indo-China is a matter of colonial and not of international policy. If there lingered any reasonable doubts on that score they must have been scattered by the grave events of the last fortnight. For, at the very moment when a deeply worried Europe was beginning to sit back and appraise the recent triumphs and future risks of the Korean campaign, there came the news of a French offensive nipped in the bud, of a garrison of seasoned troops almost wiped out and another suffering heavy losses, and of new and urgent requests from Paris for American aid. The blow came, too, at a time when the French were congratulating themselves on the capture of Thai Nguyen - for a long time the Viet Minh capital - and reports suggested that Ho Chi-minh could not mount another major offensive. Now it seems that his partisans have been reinforced, reformed and supplied with high class weapons from camps and dumps in Communist China; and the French face not a further sequence of guerrilla operations but set battles with a force of some 50,000 men in which decisive gains might be made by either side.

The response from France has been resolute. General Juin, its outstanding soldier,

is on the way to Indo-China to report on the situation. Public opinion, so long divided by bitter argument and searchings of conscience over the rights and wrongs of *la sale guerre*, has been brought by disaster hard up against the fact that Ho Chi-minh and his partisans are cast for a major role in the plot of the cold war. He is no longer just the leader of nationalist resistance against what Mr Nehru would call effete colonialism, a personality attractive to the European left and even - not so long ago - to the Americans. His role now is a military one: to maintain a third front in the cold war by pinning down in a crucial area of Asia men and material needed for the defence of western Europe. How successful he has already been is seldom grasped outside France. Here on China's southern frontier, 8000 miles from home, are engaged 150,000 troops, the cadres of NCOs and technicians around which the new French army in Europe of 20 divisions should be forming. The budget for the campaign of 1951 is almost half of the cost of home defence - that is to say, of France's contribution to the Atlantic Pact.

Even at this high cost the French effort has always fallen short of complete success and pacification; now even the limited gains of the past are in danger. Fresh American aid in arms and supplies is expected and reinforcements are on their way from North Africa; but it may be that the Chinese can now keep up along the newly built frontier roads a flow of aid to Ho Chi-minh's army, which will keep the odds heavy against the French. In short, it is impossible to see any end to war in Indo-China unless more strength can be marshalled there against the Communists than France can afford to send. The alternative is either a partial or a complete French withdrawal, solutions not only unthinkable but impracticable in the present situation. In such a plight France has every right to turn to its allies for help.

Sentiment and solidarity apart, what exactly are the stakes in this corner of Asia? What is there in Indo-China that can justify this steady drain on French strength and American aid? There is first the strategic situation: if they could control Indo-China, Communist armies would be on the march towards the main sources of the west's rubber and tin and Asia's rice. Through the adjoining states lies the way not only to India and Malaya but to enlisting the Chinese minorities throughout south-east Asia on the side of the Communists. If there is anywhere in that region a line where containment is vital it is in Indo-China; and no power has a stronger interest in holding it than this country. Second, there is the infant state of Viet Nam, on the way to almost complete independence in the French Union, aspiring to be one of the successful new regimes of Asia. Is this too to be overrun in the name of liberation and civil war? If it is, then the repercussions will be felt wherever the white man is coming to terms with the new Asia. The case for helping the French could not be clearer.

On more than one occasion Mr Acheson and Mr Bevin have said as much, but with an air more of condolence than conviction. There has seemed to be in Washington and London a lukewarmness towards the appeals from Paris which probably is due to misgivings about the Bao Dai regime - which they have recognised - and the French handling of it. Moreover, American policy in Asia has been going through a period of uncertainty that has hampered any concerted action with British policy, which persists in believing that the Chinese Government can be wooed and won away from solidarity with Moscow. With the American elections approaching, and with President Truman and General MacArthur apparently now in rough agreement, the time may be close when some order can be introduced into the present confusion of western policy towards Asia. If so, it is time for the French to make up their minds just what they expect of a collective approach to their problem in Indo-China.

One thing is certain; if there is to be collective action by the Big Three, there will have to be a joint policy. That is a fact that the French have so far been loth to face, largely because of their fear that what happens in Indo-China will set precedents for North Africa and other spheres of interest oversea. But the first need is to stop the present military threat, and to make it clear - as France alone cannot - to Ho Chi-minh and his Chinese backers that there must be no repetition of Korea. With guerrilla operations turning into full-scale warfare, this may be the moment for the French - or one of their allies - to bring the threat to peace in Indo-China before the General Assembly of the United Nations. Such an appeal means far more now, after Korea, than it has meant in the past. It would be a warning that the Communists could not disregard. It offers the prospect of a fair and full presentation of the case for Viet Nam and for French policy, the declared object of which is to give the country virtual independence. It would focus the world's attention on the dilemma that has been created there. For, so long as the partisans of Ho Chi-minh threaten the security of Vietnam, so long must it be protected by foreign power in some form or another; and so long as that power comes from France, and from France alone, so long will the government of Bao-Dai be regarded with distrust in all Asian capitals.

The pros and cons of referring a problem to the United Nations depend on calculations of certain and marginal votes, and on a knowledge of procedure and powers, that are beyond the layman's competence. If careful consideration of such a course shows that the risks outweigh the advantages, that there is nothing practical that the General Assembly could do, then it is for the Big Three to find other means by which collective power can be brought to bear in this vital area. One of the lessons of Korea is that military action against an aggressor needs the support of clearly conceived and firm political action. It is that above all which has been lacking in Indo-China, which is strategically far more important to the West than Korea.

NOTES OF THE WEEK

Aggression and the Veto

The current debate in the United Nations Assembly is making it clear that Mr Acheson earned the sympathy of large parts of an exasperated world when he produced his 'United Action for Peace' plan. Its purpose is to by-pass the veto when the veto is used to prevent action to stop an aggressor. At the time of writing it is being redrafted to meet amendments from all over the world, few of which, however, seem to amend its substance. It is also the subject of a wordy difference between the lawyers of east and west as to whether it does or does not amend the Charter by the back door. Mr Vyshinsky, arguing ably but on the defensive, is fighting to defeat it by proposals to use old apparatus afresh; but he has so far shown no indication of readiness to use this in a new way.

Amidst a welter of legal technicalities two main facts about the Peace Plan should be kept in mind. The first is that it is not a substitute for the veto. This, as originally conceived by several great powers besides the Soviet Union, was designed to give any one of the Big Five state members the right to say that it was not automatically prepared to act in fulfilment of the Security Council's compulsory powers. It is wilful misconception of this sensible purpose that has transformed it from a contracting-out system into a system for preventing any action whatsoever.

The second fact is that the 'United Action' plan does not and cannot transfer the Security Council's powers of compulsion to a two-thirds majority of the Assembly. The Assembly can only recommend, and must rely on a powerful consensus of national opinions to execute its recommendations. Presumably, if these are widely viewed as un-enforceable (as they were in the case of its recommendation to internationalise Jerusalem), they will simply be left in abeyance. A vote for the Acheson plan, with its dependence (whenever the Security Council has reached an impasse) upon a two-thirds majority which may consist entirely of small states, therefore exposes the Assembly to the risk of an indignity - to that of voting impotently for some worthy plan that cannot be executed. But in the impasse to which the Russians have reduced the Security Council, it offers the optimum chance of widespread cooperation to stop an aggressor. Its best point is that it provides a loophole for the exercise of common sense.

Tito Faces Famine

Marshall Tito's problems have been increasing for some time. The attempt to carry out the gradiose plan of industrialisation with insufficient manpower and inadequate machinery was bound to run into difficulties; and Cominform hostility has forced him to divert much of his scanty wealth to rearming. Largely owing to his unwillingness to accept the foreign advice and inspection which are the normal conditions of loans from abroad, he has obtained less than $80 million in foreign loans. Yet, according to Jugoslav estimates, $300 million is required for economic and defence needs alone. Now the drought, which has reduced the harvest to about half of last year's, may come near to being the straw that breaks the camel's back.

The Jugoslav government is doing what it can. It has banned the export of maize and cut the compulsory purchase of maize from the peasants; it has also decreed the abolition of the special privileges for Government and party officials which have created so much resentment among ordinary people. But only the import of about $50 million worth of grain will suffice to avert a famine. And this cannot be bought without a dollar loan or grant-in-aid. Tentative talks on the matter have been going on for some weeks in Washington. Now Marshall Tito, who has shown an understandable reluctance to compromise himself with his own Communist supporters by too open dependence on the west, has at last decided to apply to the United States for aid openly and in writing. He must realise that his greatest asset has been and still is the loyal support of most of the Jugoslav people. It has survived tremendous material hardship but might well give way under the strain of actual starvation. From a failure to give prompt and adequate help to Tito only the Cominform will benefit.

Problems of the Thaw

'Restraint' in wage claims is over. It has now been more than rejected by a narrow majority of the Trades Union Congress; its stoutest practiser has abandoned it. Mr. Deakin's great Transport and General Workers Union decided last week to take up officially the demands for higher pay that have been agitating two of its main constituent groups, the dockers and the bus workers. Though the details are not yet settled, the promise is of 'substantial' claims. Mr Deakin is one of the few union leaders who has tried to apply in his own union's policy what he accepted in discussions with Ministers. When the T and GWU turns to claim higher wages no union will be far behind. The long-heralded thaw for wages is coming.

The thaw may still be gradual. What has ended is union restraint in making claims. That was never the most effective part of the wages policy. The main practical expression

of restraint was the unions' acceptance of the long delays, and small results, which the processes of negotiation and arbitration have secured since 1948. The engineering unions last week rejected the employers' offer (after previous refusals) of as much as 11s a week for skilled workers. The barriers to wage advances are still unlikely to be swept away so completely that an immediate large inflation of British wage costs must follow. But, with some barriers still standing, the thaw is likely to create dangerous oddities in the wages structure. The coal industry's National Reference Tribunal decided last week that the Coal Board could afford to pay out £3,500,000 a year more in wages, but it left the miners' union and the Board to work out how this should be done. In its financial effect this new departure in wage awards is very like the usual compromise of arbitration - less than a third of what the union asked and 50 per cent more than the employer offered. But in dodging the difficult part of the award - the decision on which miners should get what - the Tribunal has created a disturbing precedent. The £3,500,000 seems to have been chosen as the estimated surplus the Coal Board may earn after paying off its remaining losses from 1947 Will a nationalised industry that reduces costs ever be allowed to use the resulting surplus either to cut its prices or to plough back savings for investment?

Trouble at the BBC

Recent events must have convinced the BBC that it never rains but it pours. Of the 'Party Manners' controversy, which Mr Clement Davies has announced his determination to keep alive, one can say two things. Firstly, Lord Simon's apologia for his ban - viz: that BBC impartiality should not extend to any matter bringing democracy itself into disrepute - would have carried more weight had the ban been imposed in the first instance instead of following, however coincidentally, on the assault upon the play of the organ of Lord Simon's party. Any suspicion of censorship on political grounds does infinitely more harm than a little mockery. Secondly, the Postmaster General's refusal to hold an enquiry, on the grounds of the undesirability of Parliamentary interference with day-to-day programme-building, entirely misses the point, which is to establish whether or not there was any interference by a political party in the day-to-day administration of the BBC..

The resignation of Mr Norman Collins raises afresh the uneasy question of the relationship between sound and visual broadcasting. Had both techniques been invented simultaneously that question would hardly have arisen, since there would surely have been but one service from the start, using sound and sight in the proportions required by the subject matter. Division of authority according to matter transmitted - drama, music, spoken word- has a sounder logical foundation than division according to the technique employed - visual or aural - which inevitably gives the technique mastery over the content of the programmes, as if printers should decide what was printed. The more experimental nature of television does indeed call for a chief of exceptional calibre with considerable scope for initiative; but this is a very different matter from elevating television to virtual independence and parity of status with the parent Corporation, - which must, in any case, heavily subsidise it.

ECA speaks out

America's generous and vital grants of dollar aid since the war give it every right to pass judgment on other countries if they do not make satisfactory use of that aid. In both Athens and Rome, however, there has lately been a good deal of dismay at American criticism directed at domestic policy. While the Greeks have suffered the most - their total ECA aid has been reduced from $267 million last year to $207 million in 1950-51 - in Italy some reported remarks of Mr Leo Dayton, head of the ECA Italy mission, recently caused a political explosion.

The ECA mission in Greece was more careful, in that it placed the blame squarely on all the major political parties, and only after very lengthy discussions in private. It condemned the Greeks for their inadequate investment programme. This, it felt, was partly due to political instability, as a result of which the Greek government had not carried out several measures repeatedly recommended by ECA. These include reorganising the civil service, increasing and enforcing direct taxation, controlling investment to avoid luxury and unproductive projects, and promoting foreign exchange earnings.

In the 'Dayton affair', as it has become known in Italy, the ECA mission condemned the deflationary policy pursued by Signor Pella, Christian Democrat Minister of the Treasury, as excessive. Mr Dayton has since partly withdrawn his statement by a letter to Signor De Gasperi, the Prime Minister. But it is known that his view was substantially shared not only by Republican and Socialist ministers in the Italian cabinet, but by Mr Foster the new head of ECA in Washington, if not by the American government as well. In Greece American criticism was certainly justified. In Italy there is more to be said for caution after a 5000 per cent inflation in a decade. But, however awkward politically, American views deserve treatment as disinterested advice. There can be few small Italian business men who do not hope that it will be taken.

The Attlee of the Amazon

The final results of the Brazilian elections are not yet fully tabulated, but the Presidency is already being conceded to Dr Vargas, with over 50 per cent of the votes so far counted. His closest rival, Brigadier Gomez, has to date received less than 30 per

cent, and the balance is held by Dr Machado, the candidate of the outgoing government.

Until he was ousted by the Army in 1945, Vargas had held the Presidency of Brazil for fifteen unbroken years, in the last eight of which he had dispensed with democratic elections. It is difficult to translate his current victory into conventional European terms. The bulk of his supporters are well to the left of centre, yet he does not speak for either the Brazilian Socialist or Communist parties. The roots of Vargas's success probably lay in the insipidity of the outgoing Dutra regime, the discontent among all classes with the rising cost of living and his promises to extend social benefits to the backward rural population. His own colourful personality and vigorously conducted campaign were also potent factors.

In a recent statement to the press, Vargas indicated that his new government would follow Socialist models of Britain and Sweden; it would be a government, in his own words, of 'evolution, not revolution'. In practice this is likely to mean greater expenditure on the social services, increased government investment, possibly some attack on the fantastic profits of the coffee producers, and - if he is to keep to his models - eventual devaluation. Vargas has no doubt benefitted at the elections from at least the passive support of some sections of the business community. They are likely to be the first to regret the consequences of 'evolution'.

Throughout the elections all the candidates consistently ignored the subject of foreign policy. Since the outcome has been clear, however, Dr Vargas has affirmed his enthusiastic support of the 'Good Neighbour' policy pursued by President Truman and expressed a desire for closer ties with the Latin American countries. These generalisations do not throw much light on the future of Brazil's commercial relations with the outside world, particularly Britain.

Exercise Emperor

The nine-day air exercise 'Emperor' which finished last Sunday was not designed primarily to test the present air defences of Great Britain, but to study new methods of defence and attack. It will be some months before the final analysis of the results is available, but it has been agreed, by those who took part, that the exercise has shown that current developments in the technique of both defence and attack have been shown to be on the right lines. Since the exercise was spread over a number of days, the weight and persistence of the attack could by no means be described as a rehearsal or simulation of an actual high level bombing offensive, but the way in which the fighters were able to locate and make contact with their targets - which necessitates the ability to reach a height of 40,000 feet within a few minutes of receiving the warning of approaching bombers - was encouraging. The speed of fighter operations has, however, created fresh problems of control, since aircraft moves from sector to sector in a matter of minutes. The problem is to create control sectors sufficiently large to ensure unified control without overburdening the operations staffs.

On the hoary Anglo-American argument over the relative virtues of day or night bombing, there is still no sign of compromise. Each party to the argument has developed its own technique to a point where it seems possible only to agree to differ. Exercise 'Emperor' has however illustrated how important inter-allied cooperation on the ground has become, since the defences of Britain are now virtually dependent on the cross channel and Western European radar network. Encouraging as the results of the exercise have been, they should create no illusion about the enormous expansion in guns and aircraft which is necessary to ensure even the barest margin of safety from air attack.

Planning for Planners

The Report of the Committee on the Qualifications of Planners (Cmd. 8059; HMSO 2s6d) raises wider questions than its title implies. To discuss constructively the qualifications of planners one must consider the nature of planning itself; and while a narrow interpretation of that term - e.g. the architects' focus on aesthetically satisfactory physical design - makes the assessment of necessary qualifications comparatively straightforward, the Committee has wisely rejected it. Planning the use of land is only one aspect of planning in general. Yet no other aspect so directly, intimately and permanently affects the daily lives of ordinary people. Planning decisions are civic decisions; the expert can indicate possibilities and impossibilities, he can synthesise, reconcile, implement and administer, but as servant, not as master.

The powers of the planning authorities have only too obviously outrun both what the report calls 'the limits of the plannable' and the supply of persons qualified to use them. The 'limits of the plannable' will presumably be discovered by trial and error; the supply of qualified persons will begin to emerge in due course from the present post-graduate courses in Town and Country Planning. But will the qualifications be the right ones? It is for a complex of functions, not a single profession, that students must be fitted; there must be those qualified to gather and interpret facts - economists, statisticians, sociologists; there must be technicians - architects, surveyors, engineers; there must be administrators and lawyers; and at the head of each local team an absolutely first rate organiser, possessing that 'wisdom of good minds' which should go with a University honours degree and in addition enough special training in the physical technique of town planning to enable him to coordinate his experts. This is a large order, and the schools and universities will have their work cut out to fill it. Yet it is the minimum necessary of town planning to become more

than on the one hand the accumulation of Utopian blueprints and on the other the exercise, by arrogant and half-baked 'experts', of a vocation for pushing round and slapping down the ordinary citizen.

Votes for Yes-Men

The elections held last Sunday in eastern Germany appear to have been the most crooked that countries beyond the iron curtain have yet seen. The pressure put upon voters was carried to almost farcical lengths; they were warned again and again that those who failed to record their votes would be regarded as enemies of peace, prosperity and German unity. To make assurance doubly sure no official means of casting a negative vote were provided, and it was difficult either to abstain or to spoil a voting paper. It is, therefore, hardly surprising that the Communists can announce triumphantly a 90 per cent poll in favour of the official lists of candidates. Since these lists were thoroughly sifted beforehand, the east German government can count on a set of completely subservient yes-men throughout the state, *Land*, county and municipal governments.

It is, in fact, these purges which, in Communist eyes, differentiate these elections from the 'obsolete form of democracy' practised in the West and turn them from a 'bloodless phantom' of democracy into the 'living reality'.

Where the Communist republic will go from here is not yet clear. Nothing has been said of any immediate reward from the Russians - such as a peace treaty or membership of the Cominform - for this demonstration of solidarity with the Soviet Union. Perhaps the east Germans must first achieve a little more success in their efforts to draw the west Germans into their camp. At any rate it looks as if a new campaign will be run side by side with the shock tactics advocated by the National Front a few months ago. According to Grotewohl, the east Germans will work hard to fulfil and overfulfil their five-year plan; their economic successes will reverberate more and more strongly in the west until finally they will cause a 'political landslide', in which the west Germans will be bustled into sharing the 'prosperity' of the east.

Russian Grain on Offer?

Mr Myrdal's endeavours to expand east-west trade through the Economic Commission for Europe at Geneva have at last been partially rewarded with the news that the Soviet Union has accepted his invitation to a grain conference on November 14th. This means that both sides (with the Soviet representative apparently the sole spokesman for the one) will sit down at the same table to discuss the proposal for a multilateral exchange of eastern cereals for western goods. Sceptics can but wonder at Soviet motives.

There are three arguable possibilities; difficulty in disposing of their grain; shortage of west European currencies; a tactical move to embarrass the west. Local reports tend to eliminate the first. The Jugoslav drought has apparently spread east and north affecting the green fodder and maize crops of Hungary, Rumania, and the Ukraine. Judging from past experience and present omens, any Soviet surplus that is not needed to make good this shortfall will more probably be negotiated bilaterally and privately with the British then multilateraly and publicly through ECE. This suggests that if the Russians deal at all, it will be in wheat. At best they can have only a modest wheat surplus; the Ukraine harvest is reported as over a million tons larger than last year but some will be needed to make up bad harvests elsewhere.

Nor does it look as if the Russians need to supplement their existing sources of foreign exchange. They have been buying sterling area raw materials at a steady but not voracious rate, while their sterling receipts have been high. The British have taken their maximum option under this year's timber contract and would almost certainly be prepared to renew the coarse grain contract at not much below last year's volume and above last year's price.

If the Russians have little scope for real negotiation, they will have plenty for some effective wire-crossing. They have made their gesture at a time when the west is under renewed pressure to curtail its trade with the east. If they come to the table determined to extract concessions, they may force the west - even though it needs non-dollar cereals - to appear sulky and obstructive, or to reveal the internal stresses which this issue is inevitably creating.

Soft and Hard Water

Extremely soft water is not pleasant to drink, and water is only agreeable when it is to some extent hard. Nowhere is water found pure in a state of nature, except rain water; and if men and animals had been destined to drink rain water, their mouths would have been buckets to catch it as it falls.. It is giving ourselves needless trouble to make all water soft and pure, like distilled water; and the companies which followed Dr Clarke's plan would be more likely to delight washerwomen than water-drinkers. But the ingredients in the water which make it hard and palatable, also prevent it from corroding lead, and conveying a stream of poison into every house. Pure soft water.. flowing through leaden pipes, poisoned the family of the late King of the French at Claremont.

The Economist

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AMERICAN SURVEY

Campaign in Connecticut

(From a Correspondent in Connecticut)

The familiar electoral rhythm is given variety from time to time by political accidents or colourful personalities, or, as in Connecticut this year, by both. It is axiomatic that the Presidential year is the most significant, but 1950 in Connecticut shows signs of being anything but an off-year. Of the thirty-six Senate races which will determine control of the upper house, two will be run in this State. For Republicans, eager to upset the Democratic apple-cart, and for Democrats determined to hold their slight Senate majority or increase it, the Connecticut campaign is of intense importance.

Moreover, the Governorship is also at stake; Mr Chester Bowles, Mr Roosevelt's energetic price administrator, is seeking re-election. And the two Democrats defending their Senate seats are national figures as well: Senator Benton, Governor Bowles's former advertising partner and once in charge of information activities at the State Department; and Senator McMahon, the chairman of the Joint Congressional Committee on Atomic Energy, who has fought a long battle to preserve civilian control over the atom.

To this is added campaign colour of a type rare in New England. The west has its film stars and its singing cowboys who run for public office, but this is the first time the northeast has seen a Senator campaign by helicopter and distribute comic books, anda candidate for the Governorship whose handsome blonde wife solicits votes by dancing the tarantella. Such differences in technique are possible because Connecticut, though influenced by the nearness of cosmopolitan New York, has a population that is about half of foreign origin or foreign parentage (Italian, Polish, Hungarian); there is another cleavage between the rural north and the industrial valleys and coast towns of the south. The native Americans are counted as indomitably conservative, but this legend is belied by the large independent vote.

Before the New Deal, Connecticut ranked as a Republican State, and the Republicans have not given up their hope of winning it back from the Democrats who, in recent years, have overlaid the hard core of Republican officials still running state affairs from minor posts. Mr Roosevelt carried it in all his campaigns. Mr Truman lost it in 1948, but Mr Bowles scraped into the Governorship by 2,250 votes out of some 900,000. The thinness of that majority feeds Republican hopes this time.

These are pinned to their candidate for Governor, a man who struggles hard for popularity with foreign-born factory workers. Mr John Davis Lodge, brother of the Senator from Massachusetts and grandson of Senator Henry Cabot Lodge, and thus impeccable as to Boston ancestry, is also a personable young man with a theatrical flair, a fine broadcasting voice and a good voting record on foreign affairs during his two terms in Congress. A lawyer by profession, he speaks reasonably good Italian, a political asset in Connecticut which he reinforced by marrying an actress of Italian extraction.

The Democratic Governor whose seat Mr Lodge seeks is still a devoted and determined New Dealer. Elected by a narrow margin in 1948, he started at once to reform the State's archaic government, a plan that has been accepted only in part and has made him enemies as well as friends. It was Mr Bowles's unconventional ways which brought about this year's double Senatorial fight. In 1949, when the Democratic majority in the Senate was even lower than it is now, he persuaded the Republican Senator from Connecticut to accept an important state judgeship. This left him free to appoint a Democrat until the next regular election - a manoeuvre more popular in Washington than in Connecticut, where both parties regarded it as heresy. His choice was Mr William Benton, former Assistant Secretary of State, trustee of the University of Chicago, delegate to Unesco, chairman of the board of the 'Encyclopaedia Britannica', and his former partner - but an independent, not a registered Democrat.

It is this which gives voters in Connecticut the extraordinary chance to return not one, but two Senators. The other Democratic incumbent is Senator Brien McMahon, a more traditional political figure. They are opposed by old-line Republicans who are expected to 'balance the ticket' by pleasing the conservatives, but who have excited little interest among independents whose favour may be decisive. There is always the chance, however, that Mr Lodge might set a Republican tide flowing.

This danger has prompted Senator Benton to apply all his knowledge of publicity and communications to his own campaign. His weakness, he feels, is that he is not well known in Connecticut, and to remedy this he has made recordings for radio stations, motion picture films for street showings, meetings, and television, and a series of cartoons for the 'comic' sections of newspapers. He also descends from the skies for personal appearances in the helicopter which covers more ground than an automobile and can land on a smaller space than an aeroplane.

The outcome is, at the moment, anyone's guess. Voting in an off-year is traditionally light and hence favours the Republicans, but 1950 in Connecticut lacks only a Presidential race to make it the most exciting political year in the State's history.

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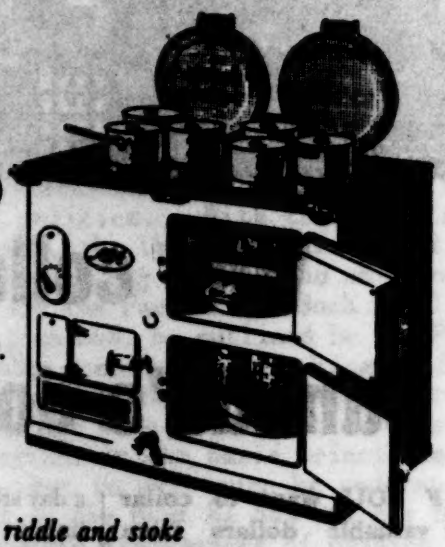

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American Notes

The President Goes to MacArthur

It is easy to explain President Truman's visit to the far-eastern Mahomet in terms of domestic politics, as the disgruntled Republicans are doing. The trip scotches their charge that the Administration never consults General MacArthur, the practical expert on the Pacific; it gives the Democrats at least a branch of the laurels of the Korean victory; and it reminds the voters of Mr Truman's chief political asset, the generosity and lack of ceremony which made him go more than halfway to meet one of his subordinates. The Democrats certainly have reason to be thankful that the ending of the initial phase of the Korean outbreak made it necessary, just three weeks before the election, for the US Commander-in-Chief to meet the UN Commander-in-Chief.

But the necessity arose from the obligations of international statesmanship, not of domestic politics. With the immediate emergency over, the United States could no longer postpone making up its mind on a long-term policy for the Far East. Such a policy will, it is presumed, be outlined by the President in the speech he is making at San Francisco while *The Economist* is in the press. Mr Truman went to Wake Island not to consult General MacArthur on the basic principles of this policy, but to make sure he understood them. That in the past he has not has been apparent from the divergences of opinion between Washington and Tokyo on the question of Formosa.

The joint communique issued at the end of the surprisingly brief talk did not mention Formosa and the fact that complete unanimity of view is said to have prevailed makes it doubtful whether both sides had an opportunity of presenting their view on this question. This is only one of the important omissions in a communique which keeps strictly to such matters as Korea and Japan, on which General MacArthur has a right to give advice. If Mr Truman has made him understand that the responsibility for the foreign policy of the United States is the President's in fact as well as in theory, then the fresh start in the Pacific will at least have got off on the right foot.

Topsy-Turvy Cotton

The agricultural situation has been turned upside down in the last few months and nothing is more topsy-turvy than cotton. This most troublesome of all surplus crops is in short supply and shipments abroad of this most traditional of all agricultural exports are being restricted. To Congressmen representing cotton States, this means that the Department of Agriculture has betrayed the farmers to the textile industry, which is concerned because its cotton now costs 40 cents a pound, 10 cents more than in June. The Korean war, unfavourable weather and boll weevils are all partly responsible for this price rise, but Congress itself bears as much if not more of the responsibility for the potential scarcity of cotton. Last year it reimposed controls on the amounts of cotton that might be planted and marketed, in order to reduce the expense of price supports.

The latest estimate is for a crop of 9,870,000 bales this year and a carry-over of 6,500,000 bales, both less than the planners planned - and they did not plan for the new defence programme. This total is just about enough for domestic needs as estimated, or overestimated, by the textile industry, and exports are therefore to be limited for the present to an annual rate of 3 million bales, half last year's rate. Farmers are being told to aim once more in 1951 at the 16 million bales which seemed so excessive a year ago. But they may not take kindly to the idea of reversing themselves again, now that they have at last begun to learn the lesson of diversified agriculture, especially if a manpower shortage makes it hard to find the labour needed in the cotton field.

Deflating Housing

The housing boom that credit built is to be deflated by giving the credit tap another, sharper, turn. The needs of the defence programme for men and materials, and the fear that they will drive up prices further, have brought the Administration round to the position of critics who have declared for years that easy credit for housing is the fountain-head of inflation. Regulation X, issued last week by the Federal Reserve Board, marks the spot; it requires private, as well as government, lenders to stiffen their terms, something that could not be done before the passage of the Defence Production Act.

The government agencies, whose guarantees finance about half the new housing, were ordered last July to be less liberal; now, even higher down-payments, rising to 50 per cent, and repayment, in most cases, in 20 rather than 25 years, must be demanded by all lenders. The only exception is private credit extended on existing houses. Interest rates are not affected, and veterans retain their advantage over other home-seekers, but even they must put substantial amounts down in cash for all but the cheapest houses.

The aim is to reduce the production of new houses in 1951 from the present rate of 1.3 million a year to 800,000 or 850,000 and to release some of the 2.6 million men in the trade, as well as some of the copper, steel, and aluminium the snow-balling boom has consumed.

The building industry is convinced that the curbs will prove severer than intended, and that ruin threatens for itself, if not for the whole economy. But the housing boom might, in any case, have reached its peak. And if armament orders fail to take up the slack, or building sags too far, the Administration, which has always regarded housing as the essential driving-force behind an expanding economy, can reverse gears once again.

THE BUSINESS WORLD

Markets for Motors

The difficulty that the average British citizen meets in trying to buy himself a car has not blunted his interest in the Motor Show; for these ten days the motor industry enjoys as much public attention as ever falls to any industry. The moment is appropriate to take stock of the industry's performance in the postwar period - the more so because other considerations may well make the autumn of 1950 the end of one phase in its existence and the opening of another. The easing of extreme dollar shortage as the single dominant factor in national economic affairs may well permit the industry to form its trading policy on more normal commercial considerations. Many schemes of reorganisation or expansion, held up for so long, are now under way and may soon take effect, giving the manufacturers for the first time in twelve years some freedom of manoeuvre within their own workshops. At the same time, the demands that rearmament is bound to make on materials and components must, before long, set a limit to the expansion of the industry's volume of civil production, which may, indeed, be able to go little further than it has gone already.

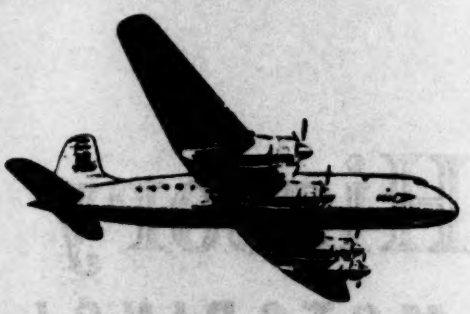
On no industry has the export drive imposed more severe demands, but these demands have for the most part been met, and more than met. To require an industry traditionally based on a protected home market to send three-quarters of its most important group of products abroad imposes a severe strain; yet this has been done with comparative ease, and as conditions now appear it may very well continue for much longer than even the authors of the policy can have envisaged. In 1947, out of a total production of less than 287,000 passenger cars, the industry exported 143,000. In the first eight months of 1950 passenger car production was 337,000, and 270,000 were exported. There seems to be no reason to suppose that saturation has been reached in export markets; the exporters' problem is rather to spread a limited volume of product to the best advantage among markets that cannot be fully satisfied.

It is true that a closer examination of the export performance reveals some flaws in the picture - on the assumption, at least, that the task which was set the motor industry was altogether the right task. The industry still sells preponderantly to the British Commonwealth, with a group of European countries following at some distance behind. It is true that most of its members had some doubt about their ability to sell to the United States, and it can perhaps be argued that to require them to do so was a miscalculation. In the event there have been expensive, if sporadic, selling campaigns in the United States, and they have produced only small results; in the first eight months of this year the United States took less than 10,000 British cars, and this with the American economy in a condition of boom. What proportion even of these sales would be held in an American recession, when they would really be needed? Apart from two or three types of sports car, it is unlikely that any British car can claim to have established itself in the market.

This is not to say that the motor industry cannot be a direct earner of dollars. Car exports to Canada in the first half of this year amounted to 39,000, compared with 12,000 in the first half of 1949; and the rate of export to Canada has increased further in July and August. Canada is now the largest market after Australia; but Australia, which took some 70,000 passenger cars and chassis in the first half of the year, has become the dominant export customer, and the present wave of inflation in Australia seems likely to raise the question whether the British motor industry is physically able fully to meet its demands.

Now that the balance of foreign payments has moved, if only temporarily, in favour of the sterling area it may not be necessary to regard this as an unhealthy state of things. When the overseas members of the Commonwealth were running a dollar deficit it was necessary to question a state of affairs in which British manufacturing output was being preempted to an overwhelming extent by the soft-currency markets. But when those countries are prospering in world trade and are good dollar earners, it is reasonable and in no way disastrous that their expanding purchasing power should be met with British manufactures. The problem becomes different; and as it confronts the motor manufacturers at the moment, it is to organise their production and sales economically for the best result. Any answer to this question likely to emerge at the moment can be expected to exclude costly marketing efforts and elaborate sales promotion in the United States for relatively small results.

But it would be unfortunate if the present world-wide boom were to induce the motor industry to rest on its oars and become indifferent to the possibility of competition with the greater American industry. Competition is perhaps best not conducted on the American industry's own doorstep. It is still no less essential to the industry's future health that its cars should be bought from choice, not from necessity, by people



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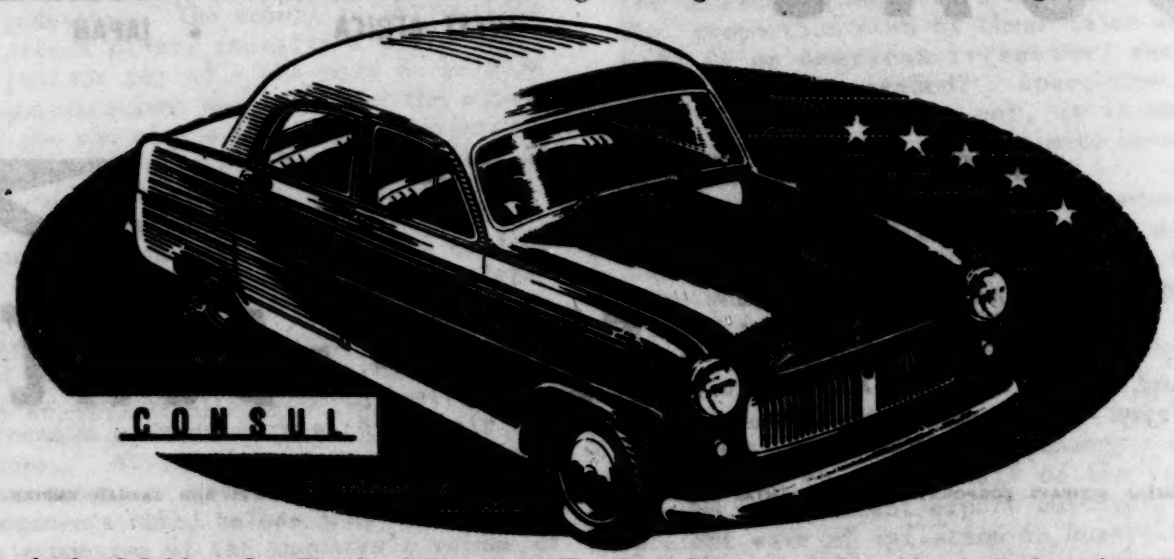
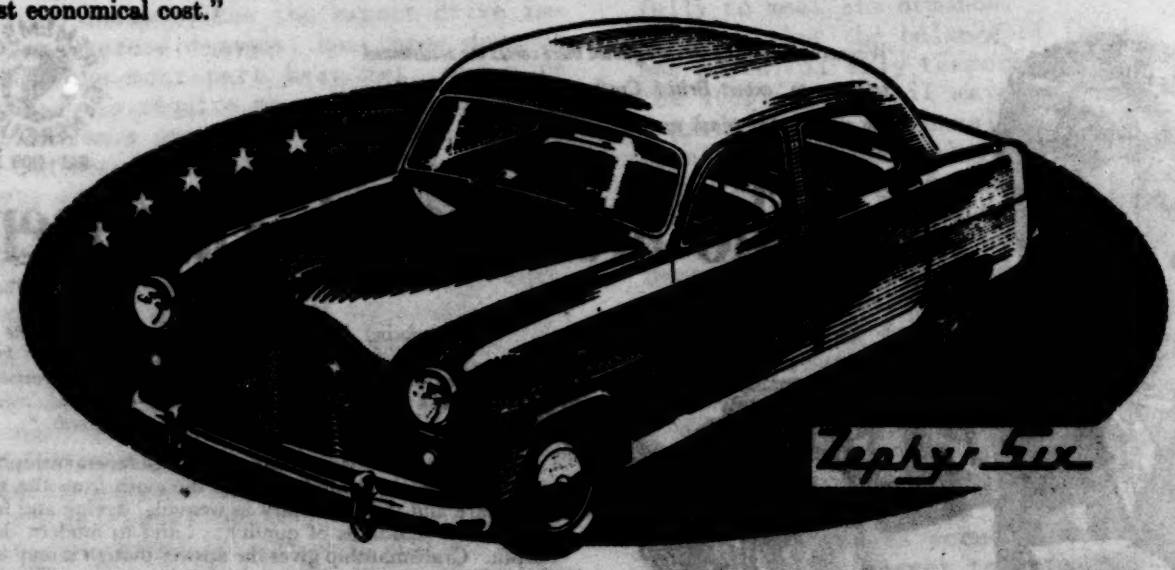


Here is the definition of a 'Five-Star' Car:— "A 'Five-Star' Car is a *combination* of all those features of design, performance and service which afford the maximum pleasure and satisfaction to its users at the most economical cost."



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who would not change their choice if they suddenly found themselves free to buy an American car instead. This ought to be the spur to technical improvement, to changes in design, and to the pursuit of economy and efficiency in production. It is not a condition that has approached fulfilment yet.

Changes in car design and improvements in factory methods have alike been slow in the five postwar years. The constant pressure of demand has inhibited manufacturers from allowing their output to fall off while production lines were retooled. Shortages of steel sheet have caused plant to be only partially employed, and at the same time the difficulty of new building and re-equipment has obstructed expansion and change. It may in some ways be disheartening for the manufacturers to find that, when these obstacles are on the point of being overcome, a rearmament programme should threaten to set unexpected limits on the supplies of steel sheet and components which they had expected to flow so freely in 1951. But the industry has still to make itself fully competitive in markets that may soon be less strongly fenced with currency restrictions. Their answer must be to grasp the opportunity for technical change that has been too long delayed.

Business Notes

New Issues and the Funds

There seems to be no shaking the strength of the gilt-edged market. One would hardly suppose that rearmament and inflation existed, or that a single economist had ever breathed the recipe of higher interest rates in the last month or two. Spilling over from its immediate port of arrival, foreign money has spread its influence beyond the money market into the 'shorts' and thence to the 'longs'. It is pleasant to see old market influences at work after an absence of many years, but it may be questioned whether the influx of funds from overseas could work such an effect on long-dated gilt-edged without assistance by other factors. There has been no lack of institutional support during the past month, and more recently the opportunist camp-followers of the big battalions seem to have joined in. A month has seen rises of up to a point in the 'shorts' and of up to two points in War Loan and the 'longs'. It is hardly to be conceived that the latter are regarded as a specially attractive haven by the overseas investor; their improvement must be largely domestic in origin. And while overseas money makes its mark upon the 'shorts', the premiums on dollar stocks remain, narrower than they were but substantial still. Evidently one school of thought is prepared to take Mr Gaitskell at his word.

Coupled with the strength of the funds, the new issue market remains in an active state. Perhaps it is the threat of further rises in commodity prices that has provoked some of the recent demand for cash. The fact is that high class industrial issues and a handful of dominion and colonial stocks have together absorbed £46 million of new money since the end of August, and calls amounting to £27 million are outstanding. To extract £75 million or so of new money from the market in such a short time must have left the institutions fairly fully invested, for they have not been idle in other directions. The latest in this impressive series of issues is the offer of £20 million of 4 per cent unsecured loan stock to preference and ordinary shareholders of Imperial Tobacco. A large issue by 'Imps' has been on the tapis for a long time - ever since the company was forced into a disproportionate expansion of its short-term debt. Some £20 million of these obligations has been given a static form as redeemable Notes, while a year ago the group had £27 million outstanding in bank loans and acceptance credits.

Direct comparison with recent issues of similar standing is not easy. The highly successful Unilever issue was of different type and carries 3¼ per cent. But since that stock was issued at 98½ and is now at 1½ premium, it is not likely that much of the 'Imps' stock, with a 4 per cent rate and issued at 99 will go begging. Its calls are well spaced, and its maximum life is in fact five years shorter than the Unilever stock (1960-70 compared with 1955-75). Twenty million pounds is a large sum to seek even from stockholders as numerous and as influential as those of Imperial Tobacco; but it would be very surprising if many of them passed such an attractive offer by.

Free Market in Canadian Dollars

Since Monday this week the London foreign exchange market has been dealing freely in Canadian dollars. During the first fortnight of floating rates in Montreal and New York, the London market had dealt in Canadian dollars at rates fixed daily by the Bank of England on the basis of the previous night's close in Canada. In fixing these rates London had not always anticipated with great accuracy what Montreal and New York would be deciding a few hours later, and some losses were incurred. It was therefore decided to allow dealings in Canadian dollars through authorised banks, acting as principals. The new market has been organised around three firms of foreign exchange brokers, the sole survivors of the galaxy of talent that flourished before September 1939, when the control took over. The authorised banks are called upon to notify their positions monthly to the Bank of England and a careful check will no doubt be kept in this way on any undesirably large positions that they may carry. The authorities hope that the authorised banks will maintain fairly even books and that they will cover in Canada positions that emerge from London dealings. The authorised banks will also have recourse to the Bank of England for evening up their books.

The early stages of this return to a free market in Canadian dollars have revealed a welcome survival of the old expertise. A narrow range of rates has been quoted, the normal turn between buying and selling being

one half-cent; the spread of $2.95 - $2.97, which the Bank of England had maintained throughout the preceding week, was narrowed to a quotation of $2.95½ - $2.96 by the end of the first free dealings. By this decision to restore a free market in Canadian dollars the London market is retaining business which it undoubtedly would have lost to Montreal and New York if it had persisted in limping along behind the rates set in these other centres. Its resumption is another illustration of the manner in which freedom can be reconciled with controls.

Australia Shirks the Issue

The Australian Government has decided to prod the menace of inflation on a number of widely scattered fronts instead of launching a large scale offensive. Mr Fadden's budget last week included proposals for the prepayment by wool growers of £103 million of income tax, (a sum representing one-fifth of their current income), for increased sales taxes on luxury goods and for higher postal charges. His budget speech also foreshadowed the re-imposition of controls over capital issues and scarce basic materials, a 20 per cent cut in the public works programme, a tighter credit policy by the Commonwealth and the commercial banks, and some sort of excess profits tax (the details of which have yet to be worked out). Each of these weapons is apparently to be used as far as political susceptibilities allow. Unfortunately, in present conditions, and with the possibility of an election, they cannot be pushed very far. The Budget provides, for instance, for a surplus of only £400,000 over total expenditure (including some capital items) of £738.3 million. The receipts expected from the new taxes will be offset by higher defence expenditure and by concessions to those directly threatened by rising inflation, such as pensioners and consumers of wool products.

Meanwhile the opposition of the Country Party has apparently put the revaluation of the Australian pound out of court, at least for the time being, and opposition by Australian industry (particularly the high cost sector of it) will presumably prevent any action being taken to implement the common sense suggestion of Mr Colin Clark. that 'at least three hundred thousand employees in the manufecturing industries must be guided into useful work'. The chances of so guiding them might have been higher but for the recent ruling of the Arbitration Court that the basic wage for all workers should be raised by £1 a week.

Scramble for Rubber

On Monday rubber reached its highest price in the London market since 1912; it was selling at 4s.8½d. a lb, a rise of 7½d. in a week and a halfpenny above the peak reached in 1925. This astonishing performance has been due to the shortage of spot supplies. In the first six months of 1950, the American stockpiling authorities bought 80,000 tons of rubber for delivery in the second half of the year. Since June they have been attempting to buy more rubber for current delivery.

Other countries are also scrambling for rubber. China bought only 250 tons from Malaya and 4,900 tons from Hongkong from January to June; its purchases in the following three months were 9,334 tons from Malaya and over 12,000 tons from Hongkong. Russia bought 28,000 tons from Malaya in the third quarter of this year against 35,800 tons in the first half of the year. Japan, too, has been buying more heavily since June, taking 18,500 tons from Malaya in the third quarter against 916 tons in the previous six months. Italy has been very active in the rubber market, but part of its purchases was apparently for transhipment to the United States. Even Argentina has more than doubled its purchases in the third quarter of the year compared with the first half of the year.

Individually, these purchases may not seem very large - not, at least, in comparison with those of the United States. But since American buying has been aggressive the increased demand by these smaller countries has produced the biggest squeeze the rubber market has ever known.

Is the Wool Scheme Wise?

The international study group's discussions on wool have ended without provoking much excitement. American suggestions for a scheme to allocate wool among consumers were not tabled. Nor was the study group officially apprised of an impending wool shortage. It estimates that the world's wool consumption this year will exactly equal the supplies coming forward, and if next year supplies fall by 10 per cent it is thought that consumption will fall correspondingly owing to high prices. The Commonwealth wool scheme was endorsed by the full study group without amendment. Since the Joint Organisation is to be wound up this season some replacement was needed; the new scheme is virtually the Joint Organisation scheme reenacted, and it will be run by the same staff. The three wool-growing dominions want to finance the scheme (it may need about £70 million of finance) in part at any rate by imposing a levy on their producers.

The prospect that wool prices will need no support for a long time seems to have encouraged the consuming countries to accept a scheme that is consciously designed in the producers' interest. But to give the scheme official endorsement when it is to be operated by four countries only (Australia, New Zealand, South Africa and Britain) seems open to question. The provisions of the international trade charter on the conduct of commodity schemes were acknowledged by a resolution providing that 'when buying operations are expected to assume substantial proportions, there should be a further opportunity for full international consultation'. But when the four countries operating the scheme are financially heavily committed (as they

will be if buying in operations ever assume substantial proportions) will they be prepared to modify their course because of representations by consumers?

The Joint Organisation's reserve prices (which will be the basis for reserve prices under the new scheme) are less than half present market prices; hence the latter can fall a long way before the organisation has to buy in any wool. Yet, it is claimed, the new scheme will prevent wide price fluctuations. Experience alone will demonstrate the merits of the study group's action. But it has created what may be a dangerous precedent by interpreting Chapter VI of the trade charter so as to establish a producers' agreement that lacks full international representation.

America Restricts Cotton Exports

The United States has decided to conserve its cotton stocks by restricting exports this season to 3,000,000 bales; shipments on this scale would represent little more than half of the previous season's exports and these were not large. The American crop is put at only 9.9 million bales against 16.1 million bales in 1949-50; this fall is mainly explained by the acreage restrictions imposed by the United States Government twelve months ago. Carryover stocks in August amounted to 7 million bales, equivalent to 9½ months' supply. If American consumption this season is no larger than last (8.7 million bales), the export surplus would only be 1,200,000 bales, so that to export 3,000,000 bales would reduce the stocks carried over next August to 5,200,000 bales. In normal circumstances this would be a more than adequate stock. As circumstances are far from normal, the limitation on American exports might seem justified, though consuming countries, and in particular Britain, may regret that a miscalculated attempt to keep American cotton prices high by restricting output should twelve months later react so severely on them.

Lancashire has become used to 'making-do' with small supplies of American cotton. Last season, when there was raw cotton to spare, dollars were scarce. In the first eight months of this year imports of raw cotton from the United States amounted to only 204 million lb against 319 million lb in the same period of 1949. Stocks of American growths in this country cannot be large, but fortunately the Cotton Board is able to claim that they will suffice to keep Lancashire fully at work. Substitutes for American cotton are not easy to find. Since the war, Brazil has become one of Britain's main sources of American growths (1 1/16 to 1 1/16 inch staple) and smaller quantities have been bought from Nigeria, the Belgian Congo and Russia. Ashmouni, the shorter staple Egyptian cotton, has also been used as a substitute.

There is no threat of an acute shortage of cotton. The spinners' concern is how best to use cotton slightly longer than American middling; in this task Lancashire may well show something of its old superiority. In any case American cotton is very dear; only ten days ago, the Raw Cotton Commission raised its selling price for middling 15/16 inch to 41.65d a lb. - the highest price yet recorded. Twelve months ago such cotton was selling at 29.15 d a lb.

Boom Days for Oil

No vestiges remain, unless as purely psychological manifestations, of last year's depression in the American oil trade. Average production of crude oil and condensate in the United States in September is estimated at 5.8 million barrels a day. This is nearly 19 per cent more than the average in September, 1949; and in the week ended September 16th production averaged 5,938,000 barrels, the highest daily average ever recorded. The recovery of demand preceded the recovery of production, and in the first half of this year absorbed the big stocks that had piled up. Internal demand in the United States averaged 6,300,000 barrels in September, and this was an increase of 12 per cent over the level of September, 1949.

These figures lend further point to the account of the continuing change in Europe's sources of oil given by Mr Vernon Smith last week in a paper to the Institute of Petroleum. The Middle East, which furnished only a quarter of the crude oil and products supplies to Europe in 1938, is supplying more than 65 per cent this year and is expected to supply nearly four-fifths in 1953. This is not necessarily trade lost to the American companies, which are expanding their Middle Eastern production in order to be able to meet the rising consumption of Europe and other markets in the eastern hemisphere. One great American project, the trans-Arabian pipeline, was ready for operation on October 1st and is now carrying oil to Sidon from the Saudi Arabian fields on the Persian Gulf. Its full capacity of 15 million tons a year will be reached next year.

As Mr Vernon Smith recalled, it was an American principle, contained in the Economic Co-operation Act, that laid it down that ECA should procure oil for Europe as far as possible from sources outside the United States. Now that the recession is over and forgotten, the expansion of supplies is, once again, demonstrably more important than the protection of markets. Perhaps the reserved attitude of ECA to British oil development can now be reconsidered. The prohibition on ECA financing of British refinery projects on the Continent seems to have become out of date, but in principle at least it is still in force.

Trade Trends

In August, for the first time in thirteen years, the value of imports into the United States exceeded the value of American exports. A single month's figures may not be a very safe foundation for discussion, but

in the light of recent pressure on the dollar, the August trade results are something more than a statistical curiosity. American imports during the month reached a record of $819.4 million, while exports were only $760.7 million. The value of imports was 50 per cent above the monthly average for 1949 and 29 per cent above the average for the first six months of this year. The increase arose mainly from larger imports of coffee and sugar, but heavier shipments of rubber, vegetable oils and metals were also cleared.

Britain's trade balance also continues to move in the right direction. In September the excess of imports (c.i.f.) over exports and re-exports (f.o.b.) was £13.5 million, the lowest figure since July, 1946. The cumulative surplus of imports for the first nine months of the year amounts to £284.7 million against £328.5 million in the same period of 1949. Exports in September fell by £18 million to £171.4 million, some £3 million below the average for the first eight months of 1950. September trade figures are normally higher than those for August, but this year the effect of the holidays seems to have been delayed. Exports to the United States and Canada both declined slightly last month but were still above the average so far this year. For the nine months to September, total British exports to North America were worth $US558 million, compared with $384 million in the first three quarters of 1949. Imports into Britain last month fell by £21 million to £194 million while re-exports rose to the exceptionally high figure of £9 million.

The Freight Markets

One effect of the demand for shipping for the Korean war was to make charterers more receptive to shipowners' ideas about freight rates and more fearful of being left without tonnage to move their commodities. In a season of the year that is usually dull, therefore, freight rates in most markets have received a boost, and this in spite of the falling-off in British coal exports. The Chamber of Shipping index of tramp freight rates, which is based on fixtures in sterling only, rose from 74.3 (1948 = 100) in June to 78.8 in July and 86.6 in August. In 1949 the trend of freights during these months was almost exactly the reverse; the index then fell from 86.7 in June to 73.3 in July and 70.6 in August.

The advance in freight rates has not affected all markets equally. Ships were urgently required for the North Pacific trades. This had the effect of relieving the chronic congestion of tonnage in Indian waters, so that higher rates were obtainable than for a long time past for the movement of Pacific lumber and Indian exports. But trans-Atlantic routes have been dull and only recently have Mediterranean ore freights advanced by 3s. in the £. Prospects of employment from the Plate have been so thin that as much as 52s. 6d. has been paid for the few coal cargoes outward, compared with 27s. 6d. when Plate grain cargoes were freely available at schedule rates.

Rising Profits

Any doubt that a profits inflation is again in full swing can be set aside by the September quarter analysis. Some 586 companies whose reports were issued in that period showed a rise in gross trading profits from £271.8 million to £290.0 million, while their total income including extraneous items rose from £299.1 million to £324.0 million.

It is well to be clear what this means. It will lead - indeed, is already leading - to the usual attacks from the usual quarters on profits. But this is not an issue that can be determined by the simple exercises of Margate morals and economics. Profits are high because output is high, prices are rising and a world-wide inflation is afoot. The question remains whether the broadest national interest could afford to see profits any lower, and if so by how much. The latest figures show that a tiny proportion only of the increase in profits has gone to increase personal incomes - ordinary shareholders receive £30.4 million whereas a year ago they received £29.1 million. This hardly suggests that voluntary dividend limitation has virtually broken down. Indeed the main uses to which the increase in industrial profits has been put are to swell depreciation (£54.1 million against £41.1 million) income tax and profits tax (together £123.7 million against £117.9 million) and reserves. In short, what the Chancellor leaves is being put to effective use towards maintaining industry's existing capital resources. It is indeed doubtful given the continued rise in prices whether all sectors of industry are in fact succeeding completely in doing so.

Printing difficulties prevent the publication of our detailed analysis of profits for the past quarter. This will appear as soon as possible.

STATISTICAL SUMMARY

Finance	Week ending Oct. 7 1950	Oct. 14 1950
Note circln.(Wed) £mn	1,282.7	1,281.0
Tr. Bills allotted £mn	250.0	260.0
Av. rate per cent	10s.3.23d.	10s.3.25d.
Total Floating Debt £mn	5,950.3	5,954.3
Total Ord. Rev. £'000	59,011	46,690
Total Ord. Exp. £'000	63,563	54,706
Change in Nat. Debt £'000	+25,946	+12,970
Total Nat. Debt £mn	26,278	26,291

Gilt-edged yields %	Oct. 10 1950 £ s. d.	Oct. 17 1950 £ s. d.
Consols 2½%*	3 7 10	3 8 0
War Loan 3% (1955-59) /	2 3 3	2 3 2
Funding 3% (1959-69) #	3 0 10	3 0 11
War Loan 3½% (after '52) *	3 12 11	3 13 0
Br. Elec. 3% (1968-73) #	3 2 5	3 2 10
Br. Trspt. 3% (1978-88) #	3 5 5	3 5 7

* Flat yield
/ To earliest date # To latest date

Company Meetings

BRITISH SUGAR CORPORATION LIMITED

Progress In Mechanisation

The fourteenth annual ordinary general meeting of the British Sugar Corporation, Limited, was held on September 25th in London, Sir Alan Saunders, O.B.E. (the chairman), presiding.

The chairman, in the course of his speech, said: The 1949 beet crop in weight was above average for the country as a whole and was an all-time record in Scotland, Yorkshire and North Lincolnshire. The total yield was 3,962,000 tons of beet, but the average sugar content was the lowest on record, due primarily to the autumn rains and mild weather which followed the prolonged summer drought. In many cases also virus yellows disease was a contributory cause.

Considerable progress was made in the mechanisation of the beet harvest, and over 1,600 machines were in operation. About 11 per cent. of the crop was harvested by machine, compared with about 3½ per cent. in the previous season. This achievement has been made possible by the co-operation of manufacturers which has been stimulated by the annual demonstration of mechanical harvesters, organised jointly by the Corporation and the Ministry of Agriculture.

Two hundred and sixty five thousand tons of dried sugar beet pulp - a valuable feed for livestock - were manufactured and sold to farmers.

In addition a very large quantity of leaves and crowns - about 3 million tons - was made available to growers for stockfeed, and 190,000 tons of molasses were produced.

Reconstruction

During the year capital expenditure amounted to £1,125,369. This sum is larger than in any year since the corporation's formation and represents the beginning of a large-scale plan for reconstruction and improvements in our factories. For several years the existing plant has been heavily overloaded and the need for replacement of obsolete plant, increased sugar gains and greater factory capacity became very urgent. Moreover, there was much that could be done to mechanise many of our processes, reduce casual labour, and improve the welfare and general amenities.

Large-scale plans for this reconstruction work have been prepared and are proceeding satisfactorily. In order to assist the executive in the planning and execution of the work of reconstruction, a central production coordinating committee was set up and working parties were appointed at each factory, under the chairmanship of the factory general manager.

This programme of re-equipment and modernisation is likely to involve an expenditure, mostly within the next four years, of between £9 million and £10 million. A substantial part of the money required can be found out of the corporation's own accumulating resources, but it is proposed to raise part of it by an issue of debenture stock. As has already been announced in the press this issue will be by way of a placing on the market and will be without a Government guarantee but with appropriate assurances from the Government departments concerned to ensure regular payment of the interest and sinking fund of the new stock, which will take the form of £3,500,000 of 3½ per cent. redeemable debenture stock.

We are faced with a record beet crop this year, and it will take all our ingenuity and goodwill to deal with it with our present equipment. I am confident, however, that we shall do our very best to cope with the many problems which we shall meet.

The report was adopted.

ASSOCIATED LONDON PROPERTIES LIMITED

Pre-War Dividend Resumed

The 23rd annual general meeting of Associated London Properties Limited was held on October 5 in London. Brigadier-General Wallace Wright, V.C., C.B., C.M.G., D.S.O., D.L., the chairman, said:

The accounts show improved results. All our properties are fully let and seem likely to remain so.

Consolidated revenue increased by £14,536 during the year and there is a net improvement of £8,720 despite rising costs. Of the year's profit after taxation, Preference dividends take £43,175, leaving a margin of £31,800 odd. In considering the proposed Ordinary dividend we had regard to the prospects for the year to June, 1951, and the conversion rights of the Preference stockholders. We decided that we could and should revert to the pre-war 6%. This will leave a retained profit of £18,591.

The consolidated balance-sheet shows an improvement in shareholders' funds of some £48,000. The figure of £78,189 for various surpluses placed to capital reserve includes a surplus on the sale of St. Ermin's, on a factory property purchased and sold during the year and on realisation of some Stock Exchange securities. Referring to our temporary investment in Stock Exchange securities, stockholders might like to know that yesterday's market value showed a small surplus compared with cost. We have no intention of holding such investments when opportunity occurs for reinvestment in property.

I repeat that the Board's policy is to make sure of a profitable investment of the company's money, and I think we may be confident of ultimate success.

The report and accounts were adopted.

BRITISH HOMOPHONE COMPANY

Sir Herbert Morgan's Speech

The annual general meeting of The British Homophone Company, Ltd., was held on September 29 in London.

Sir Herbert E. Morgan, K.B.E., (the chairman) said that the net profit for the year before providing for taxation, showed a modest improvement, being £15,122 as against £13,850. The final result of the individual trading of the parent company, Homophone, was a net profit of £6,222, compared with £6,010, the net profit for 1949.

Last year he had told shareholders that the profits of the Homophone section of the business showed a certain consistency from year to year, and results had justified him in making that statement. At the same time he had said that for the then current year they did not think the previous year's rate of profit could be maintained, particularly in the Ebonestos Company, and unfortunately that had proved to be the case. The Ebonestos Company were moulders of plastic materials - in fact Plastic Engineers. They obtained their orders from large companies principally engaged in the electrical and wireless trades. While their trade with those companies had fallen off, they had not lost those customers.

The immediate outlook appeared to be somewhat brighter, particularly as trade had recently improved in the electrical and radio industries. In addition, the General Post Office, with whom they had had a long and friendly association, were again placing orders for the articles with which they supplied them.

He must pay a tribute to their staff for its loyalty and the strenuous efforts it made under the direction of their managing director, Mr. Jack Lesser.

The report was adopted.

GENERAL ELECTRIC COMPANY, LIMITED

Larger Production

The annual general meeting of The General Electric Co., Ltd., was held in London on Sept. 28.

Sir Harry Railing, the chairman, in the course of his speech, said: The net profit earned last year is higher than that of the previous year. Apart from the completion of remunerative contracts taken in the immediate post-war period, the result is mainly due to an increase both in production and sales of some 11 per cent. This increase more than counteracted the smaller profit margins with which we had to be satisfied in many lines.

Last year I stated that we had decided on this policy, in order to maintain a high production level. You will agree that our action has been justified by the results. It would, of course, have been impossible to continue this policy if production had out-paced the order level, and resulted in abnormal stock accumulation. Balancing the claims for a high production level against stock accumulation, and consequent lock-up of capital, has become one of the most important tasks for large industrial undertakings. It has been made especially difficult in view of the constantly changing decisions taken by our own Government and by nationally-owned undertakings, as well as by other Governments who rarely appreciate the effects of these sudden policy changes both on their own and on our economy.

It is, therefore, highly satisfactory that over the wide field of electrical production which we cover in its entirety, we have, in spite of these handicaps, been able to increase our total profit.

A warning note, however, must be sounded that the percentage increase in turnover achieved over a number of years, cannot go on indefinitely. Neither can the reduction in percentage profit per unit, either for capital or consumer goods, go much further. It certainly could not continue with stationary or declining turnover, since already present taxation does not leave sufficient profit margins for the increased capital necessary per employee for research, for modern plant, and for working capital. None of these can be provided except by ploughing back profits, or by inducements to others to invest their savings in industry.

Inherent Strength

After providing £932,000 for depreciation, £104,000 more than last year, and other provisions, we show a profit of £4,471,000 before taxation. Taxation absorbs £2,731,000, i.e., 61 per cent., a crippling amount.

The inherent strength of the company requires no emphasis. We show that our Current Assets exceed Current and Deferred Liabilities by over £16 million. Our total reserves now amount to £17,300,000.

We have again adhered to dividend limitation, in spite of the fact that with a stationary number of employees their earnings have increased by 6 per cent. during the year, and that we have to pay in taxation to the State an additional amount of £500,000. This self-denial cannot go on indefinitely.

Our increased output of last year was achieved both at home and in the export markets. For the second year we have exceeded the export target set us by the Government, in spite of all the difficulties caused by increased local manufacture abroad and the restrictive influence of import licences on consumer goods.

I am confident that given the necessary lead to a realistic appreciation of the situation, the country, with its resources of character, commonsense and love of fair play, unequalled and unimpaired, with its immense resources of inherited skill and application, will, as always, respond to any new clear call both for our national and our economic defence.

The report was adopted.

RANSOME & MARLES BEARING COMPANY, LIMITED

Record Sales

Mr. F. W. Baker's Statement

The 34th annual general meeting of Ransome and Marles Bearing Company Limited was held on Oct. 12 at Newark, Mr. F. W. Baker, the chairman, presiding.

The following is an extract from his circulated statement:

The sales during the year ended June 30, 1950, created a new high record and were well distributed over industries at home and overseas.

All our works have been employed to capacity and the capital expenditure of the past years has been more than justified by its effect on both the volume of output and efficiency.

The gross trading profit of £718,295 shows a slight reduction in spite of the increased turnover. This is due to increases in costs in many directions, which we have absorbed as a deliberate policy with a view to assisting our customers, the majority of whom are actively contributing to the export drive. There are, of course, limits to the extent to which this policy can be carried should the present tendency for the rise in costs continue.

Need For Commensurate Profit

In these days of inflated costs of new plant and buildings, a commensurate trading profit is a vital necessity if industry is to keep its equipment up to date, and finance greatly increased turnover after paying the current high taxation. The year's accounts now before you are an excellent example of this problem. They show £275,717 spent on new capital items, £285,000 provided for taxation, and stocks and debtors amounting to £1,805,145. As compared with these figures, in 1939 taxation required only £71,000 and stocks and debtors amounted to £532,000. In addition, we paid in wages and salaries last year nearly £1,000,000 more than in 1939. Against this the net dividend to shareholders is now £210,000, as compared with £101,500 in 1939 when the capital was £100,000 less. These figures are revealing and show very conclusively the importance of a prosperous industry to the country.

Great Expansion

The transfer to reserves of £192,488, plus depreciation of £103,648, represents a very substantial sum ploughed back into the business. The shareholders have, therefore, the consolation of knowing that the company is in a strong and healthy state although the distribution by way of dividend is not proportionate to the great expansion in the company's business or in any way comparable to the vast increases in wages and salaries.

The liquid position again shows a very large surplus of current assets over liabilities, amounting to £1,899,902.

The demand for our products continues to tax our capacity to its limit and plans to increase output are in hand and contemplated beyond the capital commitments of £307,496 mentioned in the balance-sheet.

It was possible during the year to increase the proportion of output available for exports, which reaches a record figure. The demand from overseas continues to grow and it is hoped to improve on last year's figures, particularly in hard currency areas.

The soundness of our financial position and the efficient condition of our several factories are such that we can face the future with confidence.

The report and accounts were unanimously adopted and the dividends, as recommended, were approved.